

## **Working Party on Preshipment Inspection**

### **Status**

More than 30 developing country Members require, as a condition of importation, that an inspection of each shipment of goods be performed in the country of exportation by a private entity. The private preshipment inspection (PSI) entity generally provides to the importing country an opinion on customs classification and customs valuation. This situation often reflects inadequacies in the customs administrations of those countries that resort to the use of a PSI regime. The purpose of the WTO Agreement on Preshipment Inspection, which was achieved during the Uruguay Round, is to ensure that PSI operations are carried out in a transparent manner without giving rise to unequal treatment or unnecessary and costly delays.

### **Assessment of the First Five Years of Operation**

The Agreement on Preshipment Inspection stands in a somewhat unique position among WTO agreements. While the Agreement's obligations pertain to WTO Members, the compliance with those obligations is largely contingent on the conduct of private entities (i.e., PSI entities under contract with WTO Members), rather than strictly the behavior of governmental entities. This situation presents certain challenges to ensuring proper operation of the Agreement. In this regard, it is notable that the Working Party's final report stated a consensus view of WTO Members that "recourse to PSI is a transitional measure to be used only until national customs authorities are in a position to carry out these tasks on their own." The Working Party also recommended various types of reforms for improving and modernizing the border transaction environment such as the use of risk management and selective inspection. These recommendations reflect an important shift brought about among WTO Members in the past five years, giving focus not only on the operation of PSI regimes, but also on the broader question of the role of such regimes in view of ongoing efforts by many countries to improve the overall trade facilitation environment, particularly with regard to enhancing administrative transparency and efficiency. An important issue for all Members was the need for a continuing forum for regular oversight and to address any day-to-day implementation issues. One of the key recommendations, endorsed by the WTO General Council as part of its adoption of the Working Party's report, established PSI as a standing agenda item for the WTO Committee on Customs Valuation.

### **Major Issues in 1999**

The Agreement did not provide for a standing WTO Committee on Preshipment Inspection. The WTO Working Party on Preshipment Inspection was established in 1997 as a means to conduct a review of the Agreement's implementation and operation. The General Council extended the operation of the Working Party through March 1999, after adopting the Working Party's initial report which had been issued in December 1997. The Working Party's final report, issued March 18, 1999, reflected the efforts by the Working Party to address a wide range of issues in order to bring improvements in transparency and to diminish irregularities resulting from the operation of PSI regimes.